
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
September 12, 2007

A meeting of the Board of Administration was held on Wednesday, September 12, 2007, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:06 a.m. by Vice President Robert Carlson.

The Secretary called the roll and the following Board members were present:

Robert Carlson, Vice President
Terry McGuire representing John Chiang
George Diehr
Debbie Endsley representing David Gilb
Steve Coony representing Bill Lockyer
Priya Mathur
Tony Oliveira
Michael Quevedo
Kurato Shimada
Maeley Tom
Charles Valdes

Excused: Rob Feckner
Marjorie Berte

AGENDA ITEM 3 – APPROVAL OF MEETING MINUTES

ON MOTION by Mr. Oliveira, **SECONDED** and **CARRIED**, the Board approved the minutes of the July meeting. Ms. Mathur abstained.

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the minutes of the August meeting.

AGENDA ITEM 4 – CHIEF INVESTMENT OFFICER REPORT

Russell Read, Chief Investment Officer, presented this report.

The PERF fiscal year ending overall returns were 19.1 percent and asset levels rose to \$247.7 billion. The current fiscal year, now two and a half months old can be characterized as flat. As of September 7, the cumulative return on the PERF was negative 0.6 percent, and the overall asset level stood at \$246.3 billion or \$1.4 billion less than we began the fiscal year. With returns being flat thus far this fiscal year, the major assets remained steady.

The US subprime mortgage market is still a source of considerable concern. CalPERS does not have direct exposure to subprime mortgages but has been affected by the wider market

consequences. CalPERS remains cautious on equity markets but has seen increasingly attractive opportunities in real estate and private equity as well as in infrastructure and forest land.

AGENDA ITEM 5 – INVESTMENT COMMITTEE

Chuck Valdes, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, September 10, 2007.

Additional information may be found in the September 10, 2007 agenda materials and/or transcripts of the Committee meeting.

The Board accepted the Committee Summary report (attached).

The next Committee meeting is scheduled for October 15, 2007 in Fresno, California.

AGENDA ITEM 6 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

Kurato Shimada, Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2007.

Additional information may be found in the September 11, 2007 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Refine the proposed amendments based on written and oral public comments, and once those changes are made, to hold an additional public comment period as required by the Administrative Procedure Act. Recommended final language to the Committee for Board adoption at a future meeting of the Board after conclusion of the comment period.

The next meeting of the Committee is scheduled for October 16, 2007 in Fresno, California.

AGENDA ITEM 7 – HEALTH BENEFITS COMMITTEE

George Diehr, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2007

Additional information may be found in the September 11, 2007 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Schedule of events for issuance of the Request for Proposal for the Board of Administration Health Consultant; participation in the evaluation process and interview evaluation method; and amendments to the evaluation process section for Board to retain flexibility to enter into contracts with the two highest ranking finalists, retaining discretion to select the highest ranking finalist as primary consultant and second highest ranking finalist as back up consultant.

- ❖ Selection of Watson Wyatt Worldwide as the Board's Interim Health Consultant subject to negotiation of fiduciary language applicable to Watson Wyatt Worldwide that is acceptable to staff. In the event that staff concludes that negotiations with Watson Wyatt Worldwide are unsuccessful, staff should begin negotiations with Buck Consultants, LLC to act as the Board's interim Health Consultant subject to negotiation of fiduciary language applicable to Buck Consultants, LLC that is acceptable to staff.

The next meeting of the Committee is scheduled for October 16, 2007 in Fresno, California.

AGENDA ITEM 8 – FINANCE COMMITTEE

Terry McGuire, Vice Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Friday, September 7, 2007

Additional information may be found in the September 7, 2007 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Transmittal letter and submission of this report to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2006, and to the Legislative Analyst's Office, State and Consumer Services Agency, and the Office of the Legislative Council; and the adjustment of fiscal year 2006-07 fund appropriation levels in accordance with final cost allocation results and approve the transmittal of the information to the State Controller's Office.
- ❖ Increase of \$1,211,000 and 11.0 positions in the fiscal year 2007/08 Administrative Budget.

The next Committee meeting is scheduled for November 14, 2007 in Sacramento, California.

AGENDA ITEM 9 – PERFORMANCE AND COMPENSATION COMMITTEE

Priya Mathur, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Friday, September 7, 2007

Additional information may be found in the September 7, 2007 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ 2007/08 performance plans for the Chief Investment Officer and Senior Investment Officers of Alternative Investments, Fixed Income, Global Equities, and Real Estate, as amended.
- ❖ 2007/08 performance plans for the Senior Portfolio Managers and Portfolio Managers.
- ❖ 2007/08 performance plan for the Chief Operating Investment Officer.
- ❖ 2007/08 performance plans for two recently appointed Portfolio Managers, Real Estate as second reading.

The next Committee meeting is scheduled for December 14, 2007 in Sacramento, California.

AGENDA ITEM 10 – AD HOC BOARD ELECTIONS COMMITTEE

There was no meeting held this month.

AGENDA ITEM 11– BOARD MEETING CALENDAR

ON MOTION by Dr. Diehr, **SECONDED** and **CARRIED**, the Board approved the 2008 Board calendar.

AGENDA ITEM 12– CHIEF EXECUTIVE OFFICER’S REPORT

Fred Buenrostro presented this report to the Board.

CalPERS held the fifth United Way annual charity golf tournament September 5 at the Whitney Oaks Gold Course. Recognition was given to each person who was involved in the planning of this charity event.

Tuesday, September 18, is the United Way Campaign Kick-Off Bar-B-Queue. The Chili Cook Off is scheduled for October.

CalPERS had five sponsored bills in the Legislature this session. Four of them are on the Governor’s desk for signature. Commended the staff work of the Governmental Affairs Office.

AGENDA ITEM 13 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION

Wendy Notsinneh, Chief, Governmental Affairs, reported AB 554, GASB prefunding, will become effective January 1, 2008. AB 1296, data transparency, and AB 1317, compensation bill, are on the way to the Governor’s Office. AB 1307, supplemental contribution measure, is on the Governor’s desk. SB 608, housekeeping bill, amended last week to include JRS pre-retirement optional settlement issues, is still pending in the Senate. If this bill is not heard this year, it will become a two-year bill and will be taken up at the beginning of next year.

Recognized the GOVA team for all of their hard work.

AGENDA ITEM 14 – BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS Federal Legislative Liaison, provided an update on the following issues:

- SEC meetings including Fred Buenrostro and Dennis Johnson
- Senate Finance Committee hearing on private equity
- Pension Protection Act

AGENDA ITEM 15 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

ON MOTION by Dr. Diehr, **SECONDED** and **CARRIED**, the Board adopted staff's recommendation on Items 15 A and C.

ON MOTION by Dr. Diehr, **SECONDED** and **CARRIED**, the Board adopted Item 15B to use alternative A. Dr. Diehr waived any right, title, interest, claim, or benefit that could arise out of this decision.

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted Item 15D to remand the matter back to the Office of Administrative Hearings for the taking of additional evidence.

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted staff's recommendation on Item 15E to deny the petition for reconsideration.

AGENDA ITEM 16 – GENERAL COUNSEL'S REPORT

Peter Mixon noted the litigation report and matrix.

AGENDA ITEM 17 – BOARD TRAVEL APPROVALS

No items needed for approval.

AGENDA ITEM 18 – DRAFT AGENDA FOR OCTOBER 17, 2007 MEETING

The draft agenda was accepted.

There was no public comment.

There being nothing further to come before the Board of Administration, the meeting adjourned at 10:23 am.